McINTYRE
MINES LIMITED

65TH ANNUAL REPORT
1976

ANNUAL MEETING

McINTYRE MINES LIMITED

The Annual Meeting of Shareholders will be held at 10:00 o'clock a.m. (Toronto time) on Monday, April 25, 1977, in the Quebec Room, Royal York Hotel, Toronto, Ontario.

CONTENTS

McINTYRE MINES LIMITED

Capital Stock

Authorized: 3,000,000 shares without par value
Issued: 2,434,482 shares

Location of Mines

McIntyre Coal Mines, Smoky River, Alberta
The Madeleine Mine, Ste. Anne des Monts, Quebec

Executive and Head Office

Suite 5100 Commerce Court West
Toronto, Ontario M5L 1C1

Auditors

Price Waterhouse & Co.
Chartered Accountants, Toronto, Ontario

Transfer Agents

Canada Permanent Trust Company, Toronto, Ontario
and Calgary, Alberta
Bankers Trust Company, New York, N.Y.

Registrars

Crown Trust Company, Toronto, Ontario and Calgary, Alberta
The Chase Manhattan Bank (National Association), New York, N.Y.

Stock Exchanges

The stock of the Company is listed for trading on the Toronto Stock Exchange and the New York Stock Exchange

Directors

*M. A. COOPER Toronto, Ontario	*President and Managing Director* *Falconbridge Nickel Mines Limited*
†*A. E. FELDMEYER Calgary, Alberta	*President and Managing Director* *Canadian Superior Oil Ltd.*
†*R. B. FULTON Toronto, Ontario	*President and Chief Executive Officer of the Company*
†*H. M. GRIFFITH Toronto, Ontario	*Director* *The Steel Company of Canada Limited*
*H. B. KECK Houston, Texas	*President* *The Superior Oil Company*
W. M. KECK, JR. Los Angeles, California	*Director* *The Superior Oil Company*
SENATOR THE HON. E. C. MANNING, P.C., C.C., LL.D. Edmonton, Alberta	*President* *M & M Systems Research Ltd.*
J. L. NORMAN Houston, Texas	*Senior Vice-President* *The Superior Oil Company*
L. T. POSTLE Vancouver, B.C.	*Consulting Engineer*

* Member of the Executive Committee

† Member of the Audit Committee

Officers

M. A. COOPER, *Chairman of the Board*
R. B. FULTON, *President and Chief Executive Officer*
P. A. CAIN, *Vice-President Operations*
F. T. MCKINNEY, *Corporate Secretary*
A. G. GOODEVE, *Treasurer* (1)
D. G. PAGE, *Comptroller and Assistant Treasurer*

(1) Resigned January 31, 1977

Operations

Coal Division J. J. CROWHURST *General Manager, Grande Cache, Alberta*

Madeleine Mine G. B. DARLING, *General Manager, Ste. Anne des Monts, Quebec*

Exploration P. A. LINDBERG, *Exploration Manager, Toronto, Ontario*

McINTYRE
MINES LIMITED

$ 2.5 mil +50%
explor
1. V. $ + 5. mil

DIRECTORS' REPORT

To the Shareholders:

For 1976 earnings from the Company's operations, before provision for deferred income taxes, were $13,841,000, compared with $18,817,000 for the prior year. After tax earnings, before extraordinary items, were $10,815,000 during 1976 and $14,217,000 as restated for 1975. Consolidated earnings of the Company including its equities in the undistributed earnings of its affiliated companies, Falconbridge Nickel Mines Limited and Madeleine Mines Ltd., and extraordinary gains resulting from reductions in deferred income taxes due to prior years' losses were $16,164,000 in 1976, or $6.82 per share, and $17,538,000 or $7.40 per share for 1975.

Earnings from operations during the past year were adversely affected by higher production costs at the Company's Smoky River coal operation. The Coal Division earned $14,268,000 during 1976 and dividend income from Falconbridge and Madeleine totalled $2,448,000. Corporate expenditures including exploration and administrative costs were $2,875,000. For the prior year comparable figures are $19,870,000 for the Coal Division earnings, $2,277,000 dividend income, and $3,330,000 for corporate expenses.

The Company's bank indebtedness at December 31, 1976 was $48,150,000, an increase of $7,947,000 over the amount of the loan one year earlier. This increase was primarily due to the cost of a large coal inventory which accumulated during the final quarter of the year. Repayment of coal contract advances to the Japanese Buyers totalled $5,963,000 leaving $6,696,000 to be repaid concurrently with the remaining coal deliveries under this contract up to April 1, 1978. Working capital at year's end was $1,568,000 compared with a deficit of $3,656,000 on December 31, 1975.

Dividend payments were maintained at $1 per share and totalled $2,434,482 for the full year.

Smoky River Coal Division

Coal production during 1976 was the highest for any year since the start of operations, totalling 3,162,460 long raw tons and 1,864,630 long clean tons. Comparable figures for 1975, the highest previous year were 2,588,309 and 1,680,068 respectively. Raw coal production from individual mines during each of these years was:

	In Long Tons	
	1976	**1975**
Underground Mines		
No. 2-4	340,578	467,109
No. 2A-4	80,492	41,677
No. 2R-4	79,586	—
No. 2-10	8,214	—
No. 2-11	607,895	271,499
Surface Mines		
No. 8 Mine	749,966	72,983
No. 9 Mine	1,295,729	1,735,041

During the year, two new underground mines were developed for production, No. 2R-4 Mine in the Reiff Terrace area of the Sheep Creek drainage and No. 2-10 Mine in the vicinity of No. 2-4 Mine. Development work was completed in 2A-4 and 2-11 Mines and depillaring operations were commenced. Depillaring continued throughout the year in 2-4 Mine with additional blocks of coal to those included in the January 1, 1976, reserves being recovered. The Barrett No. 8 Surface Mine was mined out with 822,949 long raw tons of coal being extracted. At No. 9 Surface Mine 13,191,140 bank cubic yards of overburden were removed giving an average waste-to-coal ratio of 10.20 bank cubic yards per long ton of coal. During the year, a fourth 16 cu. yard shovel, eight 150-ton rock trucks and two drills were added to No. 9 Mine's waste removal equipment. The No. 11 Seam beltway for the transportation of No. 9 Mine coal to the preparation plant was rehabilitated and placed into service during May 1976, and has since been operating satisfactorily.

The coal preparation plant operated efficiently throughout the year, exceeding its designed throughput of 500 long raw tons per hour for extended periods of operation. Clean coal yield for the year averaged 63.1%, compared with 67% for the prior year. The lower yield for 1976 is due to the larger tonnage of No. 11 Seam coal mined and processed. This coal has a significantly higher ash content than either No. 4 or No. 10 Seams. The tailings dewatering plant was completed at year's end and placed in operation. Three by-product fuels recovered from the preparation plant and mining operations — i.e. dried tailings, primary rejects and oxidized non-coking coal — are currently being sold to Alberta Power Limited for utilization in its Milner generating station.

Production costs were stabilized during 1976 and were significantly below the yearly average during the latter half of the year. This improvement was due to increased production, particularly from the underground mines,

and a reduction in unit waste removal costs at No. 9 Mine. Manpower shortages persisted throughout the year, particularly with respect to skilled operators and tradesmen. Training programs in these skills were expanded and at year's end 55 trainees were enrolled in these courses. On December 9, 1976, a new collective bargaining agreement was reached with the Company's hourly-paid employees at Smoky River, effective October 1, 1976, until October 1, 1978. The increases in hourly pay and benefits average 8% during the first year of the Agreement and 6% during the second. As such, they are in conformance with the guidelines of the Federal Anti-Inflation Board. The Agreement further provides that higher rates of pay equivalent to 10% during the Agreement's first year and 7% during the second will take effect if the AIB approves them, and a joint Company-Union application for such approval has been filed with the Board.

Capital expenditures during 1976 totalled $17,805,000 and included the cost of construction of the tailings dewatering plant, the preliminary development of the 2R-4 and 2-10 underground mines, and the purchase of one 16-cubic yard shovel, eight 150-ton rock trucks, two drills and ancillary equipment for No. 9 Mine, and four continuous miners and auxiliary equipment for the replacement of worn out units in the underground mines.

Capital outlays for 1977 are budgeted at $13,165,000. One additional shovel with a complement of four large trucks and two front-end loaders and smaller trucks will be added to No. 9 Mine's waste removal equipment, and an extension is being constructed to its maintenance facilities. Two continuous miners are included in the budget to replace over-age equipment now in service.

Smoky River coal sales in 1976 totalled $112,023,000 compared with $93,198,000 during the prior year. Cutbacks in purchases by two of the Company's Canadian customers, Steel Company of Canada, Limited, and Sydney Steel Corporation, totalling 226,031 long tons were only partially offset by an initial sale of 45,579 long tons to Dominion Foundry and Steel Company, Limited. A trial shipment of 9,500 long tons was also made to Pohang Iron and Steel Company, Ltd., of South Korea late in the year, but sales to the Brazilian steel industry did not materialize. The coal was competitively priced with U.S. Pocahontas low volatile coking coals on April 1, 1976, but a large freight rate increase one month later followed by the addition of the newly imposed Alberta royalty to the selling price as of July 1st made it no longer competitive with its U.S. counterparts. During October 1976, however, the Japanese steel mills negotiated extended contracts with the Pocahontas coal producers which included price increases and cost escalation additions which raised the minesite price of those coals well above the price of Smoky River coal with the new royalty cost included. Since then a fully competitive f.o.b. port price for Smoky River coal has been restored in terms of U.S. dollars as the result of the decline in value of the Canadian dollar relative to the U.S. currency.

During the year, all contractual coal tonnages were delivered on schedule. Deliveries to Dofasco and Stelco were completed during the second and third quarters of the year, respectively, following which coal inventories accumulated rapidly at Neptune Terminals, standing at 196,509 long tons at year's end. Increased deliveries during the first quarter of 1977 are expected to liquidate a good part of this inventory and restore the terminal stockpile to an appropriate level.

Copton Excol Ltd.

An agreement between Copton Excol Ltd., (in which McIntyre owns a 78.8% interest) and Meadowlark Farms Inc., entered into on June 1, 1974, terminated on May 31, 1976, by reason of non-performance by Meadowlark with respect to the completion and delivery of an adequate feasibility study on the properties as provided in the Agreement. Copton subsequently filed an action against Meadowlark seeking an injunction against its further entry on the properties, and a declaratory judgment with respect to the termination of the Agreement, and Meadowlark filed a counterclaim as amended naming McIntyre as a co-defendant, all of which is more particularly described in Note 12 to the financial statements in this report. On September 24, 1976, Copton was granted a permit by the Alberta Government to carry out a large diameter core drilling program on its properties for the purpose of obtaining samples for washability and other tests designed to optimize the coal's coking properties. The drilling program was completed on December 22, 1976 and the test work is proceeding.

Falconbridge Nickel Mines Limited

(37.2% Equity Interest)

Consolidated earnings of Falconbridge and its subsidiaries for the 1976 fiscal period were $14,703,000, compared with $3,221,000 earned in 1975.

1,613,000

2,823,000

1st Q 2,075,000 88¢

1,048,000 43¢

Inventories at end of 3rd Q

166,000 tons

- deliveries

The integrated nickel operations recorded earnings of $4,727,000 in 1976, compared with a loss of $5,390,000 in 1975. Deliveries of nickel and cobalt to customers in 1976 were somewhat higher than 1975, although offset to some extent by lower deliveries of copper caused by reduced production. Prices of all metals showed marginal increases in 1976.

Madeleine Mines Ltd.
(36.4% Equity Interest)

Earnings of Madeleine Mines Ltd. during 1976 totalled $276,000, compared with $315,000 in 1975.

Ore tonnage milled totalled 813,944 during the year with an average grade of 1.07% copper. Production amounted to 16,293,718 pounds of copper and 147,136 ounces of silver. Copper recovery averaged 93.34%. For 1975, the comparable figures were 908,225 tons of ore milled with an average grade of 1.15% copper from which 19,354,616 pounds of copper and 179,034 ounces of silver were recovered.

During the second half of 1976, Madeleine's mining and milling operations incurred increasing losses as a result of depressed copper prices and the declining grade of ore milled, with consequent higher copper production costs. On October 28, 1976, the directors of Madeleine, after careful consideration of these factors, coupled with the discouraging outlook for copper price improvement in the near term, and the substantially higher smelting, refining and marketing costs after 1976 following the expiration of the then existing contract, resolved to suspend operations for an indefinite period. The directors further resolved to maintain the mine workings and plant in good condition with the view to reactivating the mine at such time as there is sufficient improvement in copper prices to permit a profitable operation.

Exploration

Expenditures on exploration by the Company during the year were $1,690,000 and total expenditures on all projects in which the Company was involved, including those of its joint venture partners in those projects, were $2,881,190. Comparable figures during 1975 were $2,061,000 and $2,967,000. In the north-eastern part of Yukon Territory, extensive showings of lead-silver and zinc mineralization were staked by McIntyre and a limited amount of geologic mapping and sampling was completed. A core drilling program is scheduled during the coming season to test the better showings. In the Gaspe region of Quebec, three prospects in the vicinity of the Madeleine Mines were mapped, sampled and drilled. One of the prospects showed sufficient encouragement for additional work. The Doyon Joint Venture carried out an extensive reconnaissance mapping and sampling program on the lands previously selected by Doyon Inc., under the provisions of the Alaska Native Claims Settlement Act in central and east-central Alaska. Several base metal prospects and geochemically anomalous areas were located, and an expanded program including both reconnaissance and detailed studies is scheduled for the 1977 season. The Cordex II Syndicate, of which the Company is a member, continued prospecting and property evaluation work in Nevada and Idaho throughout the year. Exploration work was also reactivated in Australia.

Outlook

The Company's financial results during 1977 will depend heavily on the tonnage of coal which can be sold in excess of that which is presently contracted for by the Japanese Buyers. Coal production for such sales is being programmed and the sales efforts in Brazil and elsewhere are being intensified. If steel production in the U.S. and Canada picks up during the second half of the year, as is presently predicted, the demand for coking coal should increase as well, and opportunities for additional sales to those presently contracted for by the Company's Canadian customers may develop. Labour strikes and other work stoppages in U.S. coal mines this year, as generally expected, could further tighten supplies and strengthen markets. It appears reasonable at this time to anticipate that 1977 sales of Smoky River coal will at least equal those of the past year. If this proves to be the case, the Company's earnings for the year should also compare favourably with those of 1976.

The Directors and Officers express their appreciation to the Company's employees for their efforts during the year.

On behalf of the Board of Directors,

R. B. Fulton

President

March 11, 1977.

AUDITORS' REPORT

Price Waterhouse & Co.
CHARTERED ACCOUNTANTS

Box 51 Toronto-Dominion Centre
Toronto, Ont. M5K 1G1
(416) 863-1133 Telex 065-24111

March 11, 1977

To the Shareholders of
McIntyre Mines Limited

We have examined the consolidated balance sheet of McIntyre Mines Limited as at December 31, 1976 and the consolidated statements of earnings, reinvested earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. The investment in Falconbridge Nickel Mines Limited has been accounted for on the equity basis, and we have relied on the report of the auditors who have examined its financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the change in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.
Chartered Accountants

McINTYRE MINES LIMITED

AND SUBSIDIARY COMPANIES

(Incorporated under the laws of the Province of Ontario)

CONSOLIDATED BALANCE SHEET

($000's omitted)

Assets

	DECEMBER 31 1976	1975
Current		
Accounts receivable (Note 2)	$ 4,429	$ 3,378
Inventories and mine supplies (Note 3)	20,760	12,789
	25,189	16,167
Investments (Note 4)		
Falconbridge Nickel Mines Limited	115,817	112,370
Madeleine Mines Ltd.	3,423	4,197
Other	—	350
	119,240	116,917
Properties and Plant		
Plant and equipment at cost (Note 5)	73,670	57,066
Less accumulated depreciation	21,350	15,942
	52,320	41,124
Deferred mine development less amortization (Note 6)	35,291	37,836
	87,611	78,960
Other		
Long-term account receivable	3,363	3,717
Employee housing loans	2,591	2,371
	5,954	6,088
	$ 237,994	$ 218,132

Liabilities

Current	DECEMBER 31 1976	1975
Accounts payable	$ 5,853	$ 7,985
Accrued liabilities	12,338	6,408
Current portion of coal sales contract advances	5,430	5,430
	23,621	19,823
Coal Sales Contract Advances, less current portion (Note 7)	1,266	7,229
Long-Term		
Bank loan repayable by January 31, 1979	48,150	40,203
Deferred income taxes	285	—
Shareholders' Equity		
Capital stock (Note 13)		
Authorized — 3,000,000 shares without par value		
Issued — 2,434,482 shares	9,604	9,604
Reinvested earnings	158,863	145,068
	168,467	154,672
Less equity in own shares held by affiliate	3,795	3,795
	164,672	150,877
	$ 237,994	$ 218,132

Approved by the Board:

R. B. FULTON, Director.

A. E. FELDMEYER, Director.

McINTYRE MINES LIMITED

CONSOLIDATED EARNINGS

($000's omitted)

	YEAR ENDED DECEMBER 31	
	1976	**1975**
Revenue		
Coal production	$ 121,911	$ 95,736
Less coal royalty	2,602	206
	119,309	95,530
Dividends from affiliates	2,448	2,277
	121,757	97,807
Expense		
Operating costs	92,415	64,476
Administration	1,132	1,270
Exploration	1,690	1,980
Interest (Note 8)	3,525	3,778
Depreciation	5,873	4,493
Amortization of deferred development	3,281	2,993
	107,916	78,990
Earnings from operations before deferred income taxes	13,841	18,817
Deferred income taxes (Note 9)	3,026	4,600
Earnings from operations	10,815	14,217
Equity (reduction) in undistributed earnings of affiliates	2,608	(1,279)
Earnings before extraordinary item	13,423	12,938
Reduction in deferred income taxes arising from prior years' losses	2,741	4,600
Consolidated Earnings	$ 16,164	$ 17,538
Per share (Note 10)		
Earnings before extraordinary item	$ 5.66	$ 5.46
Extraordinary item	$ 1.16	$ 1.94
Consolidated earnings	$ 6.82	$ 7.40

CONSOLIDATED REINVESTED EARNINGS

($000's omitted)

	YEAR ENDED DECEMBER 31	
Balance at beginning of year	**1976**	**1975**
As previously reported		$ 128,291
Retroactive adjustment to earnings of affiliated company		423
As restated	$ 145,068	128,714
Consolidated earnings for year	16,164	17,538
	161,232	146,252
Dividends ($1.00 per share; 1975 50¢ per share — Note 10)	2,369	1,184
Balance at end of year	$ 158,863	$ 145,068

CONSOLIDATED CHANGES IN FINANCIAL POSITION

($000's omitted)

	YEAR ENDED DECEMBER 31 1976	1975
Source of Funds		
Operations —		
Consolidated earnings	$ 16,164	$ 17,538
Depreciation and amortization	9,154	7,486
Deferred income taxes	285	—
Reduction (equity) in undistributed earnings of affiliates	(2,608)	1,279
	22,995	26,303
Bank financing	7,947	—
Long-term receivable	354	314
Disposal of properties and other assets	350	579
	31,646	27,196
Use of Funds		
Plant and equipment	17,069	12,674
Deferred mine development	736	3,298
Reduction of bank financing	—	22,120
Reduction of coal sales contract advances	5,963	5,187
Dividends paid to shareholders	2,369	1,184
Dividends paid on own shares held by affiliate (Note 10)	65	33
Employee housing loans	220	46
	26,422	44,542
Increase (decrease) in working capital	$ 5,224	$ (17,346)
Working Capital Changes		
Increase (decrease) in current assets		
Cash	$ —	$ (647)
Accounts receivable	1,051	1,539
Inventories and mine supplies	7,971	5,840
Coal sales contract advances receivable	—	(18,050)
	9,022	(11,318)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	3,798	6,232
Current portion of coal sales contract advances	—	(204)
	3,798	6,028
Increase (decrease) in working capital	5,224	(17,346)
Working capital (deficiency) — beginning of year	(3,656)	13,690
Working capital (deficiency) — end of year	$ 1,568	$ (3,656)

McINTYRE MINES LIMITED

NOTES TO CONSOLIDATED STATEMENTS

DECEMBER 31, 1976

1. **Accounting Policies**

(a) Principles of consolidation

The consolidated financial statements include the accounts of all companies which are more than 50% owned. The assets and earnings of these companies are not significant and aggregate less than 2% of the consolidated total.

Investments in affiliated companies Falconbridge Nickel Mines Limited (37.2% equity interest) and Madeleine Mines Ltd. (36.4% equity interest) are accounted for by the equity method which reflects the Company's investment at cost plus its interest in reinvested earnings less amortization of the excess of cost over book value at date of acquisition. Such excess cost is amortized over the estimated life of the mining properties or such shorter period as may be considered reasonable.

(b) Inventories

Mine products are valued at net realizable value and other inventories at the lower of standard cost (which approximates cost on a FIFO basis) and net realizable value.

(c) Depreciation and amortization

(i) Plant and equipment are being depreciated on a straight-line basis over their productive lives, or in the case of each mining property to which they are appurtenances, over the productive life of the mine in terms of proven ore or coal reserves, whichever is less.

(ii) Maintenance, repairs and renewals expenditures are expensed as incurred. Betterments are capitalized and included as additions to fixed assets.

(iii) Gains or losses on the sale or retirement of material items are taken into earnings. Gains or losses on other items are recorded as an adjustment of accumulated depreciation in accordance with McIntyre's group depreciation policy.

(iv) Development and preproduction expenditures

Expenditures relating to each mine are capitalized until the property is brought into production at or near its designated rate at which time they are amortized on a unit of production basis over the life of the mine in terms of proven reserves. The initial costs of the Smoky River Coal Division including infrastructure and start-up expenses are being amortized on a unit of production basis over the estimated life of total proven coal reserves.

(v) Overburden removal costs, except to the extent they are included in development costs of new mines, are charged to operating costs as incurred or, in the case of short lived mining units, at the estimated average cost per ton based on the recoverable reserves of that unit.

(d) Reclamation

The estimated cost of reclamation approved by provincial authorities at the outset of mining operations is provided for on a unit of production basis over the estimated life of each mine based on proven coal reserves. Additional expenditures incurred after the cessation of mining operations due to changes in the initial approved plan are expensed as incurred.

(e) Exploration

Exploration costs are charged to earnings as incurred.

(f) Interest

Interest is charged against earnings as incurred except interest on debt that can be specifically identified with a major capital project. In these circumstances interest is capitalized prior to commencement of production.

(g) Income taxes

The Company follows the tax allocation method of accounting whereby timing differences between reported and taxable income result in deferred taxes. Income taxes recoverable on losses are not recognized until realized.

(h) Pensions

Current service costs are a current charge against earnings. Past service costs are amortized and funded over periods not exceeding fifteen years.

2. **Accounts Receivable**

These are as follows:

	($000's omitted) 1976	1975
Coal settlements receivable	$ 2,595	$ 1,988
Other receivables	1,834	1,390
	$ 4,429	$ 3,378

3. **Inventories and Mines Supplies**

These are as follows:

	($000's omitted) 1976	1975
Specification grade metallurgical coking coal	$ 14,843	$ 7,117
Mine supplies	5,632	5,438
Houses for sale to employees less mortgages thereon	285	234
	$ 20,760	$ 12,789

4. **Investments**

Changes in the Company's investment in affiliated companies, accounted for by the equity method, are as follows:

($000's omitted)	Falconbridge 1976	Falconbridge 1975	Madeleine 1976	Madeleine 1975
Investment — beginning of year				
As previously reported		$ 112,552	$ 4,197	$ 4,838
Retroactive adjustment to earnings of affiliated company		423		
As restated	$ 112,370	112,975		
Equity (reduction) in earnings not distributed	3,447	(605)	(499)	(314)
Amortization of excess cost	—	—	(275)	(327)
Investment — end of year	$ 115,817	$ 112,370	$ 3,423	$ 4,197
Shares held	1,848,414	1,848,414	1,712,208	1,712,208
Market value at December 31	$ 65,619	$ 53,604	$ 1,558	$ 2,568

At December 31, 1976 the unamortized excess cost relating to the investment in Madeleine was $968,000.

Summarized financial information for these two companies is presented below:

	($000's omitted)			
	Falconbridge		Madeleine	
	1976	**1975****	**1976**	**1975**
Current assets	$ 252,591	$ 263,879	$ 4,331	$ 5,017
Other assets	483,394	485,212	3,360	3,889
	735,985	749,091	7,691*	8,906
Current liabilities	100,508	99,777	646	568
Long-term liabilities	314,228	337,881	298	220
Shareholders' equity	321,249	311,433	6,747	8,118
	735,985	749,091	7,691	8,906
Earnings	$ 14,703	$ 3,221	$ 276	$ 315
Dividends paid	$ 4,962	$ 4,959	$ 1,647	$ 1,176

* Reference is made to the Directors' report on page 6 which covers the suspension of Madeleine operations in December 1976.

** Restated.

5. **Plant and Equipment**

Plant and equipment at cost are as follows:

	($000's omitted)	
Smoky River Coal Division	**1976**	**1975**
Underground equipment	$ 15,294	$ 13,933
Surface plant and equipment	57,697	42,470
	72,991	56,403
Other	679	663
	73,670	57,066
Less accumulated depreciation	21,350	15,942
	$ 53,220	$ 41,124

6. **Deferred Mine Development**

Unamortized mine development costs are as follows:

	($000's omitted)	
Smoky River Coal Division	**1976**	**1975**
Producing properties	$ 14,642	$ 15,036
Non-producing properties	7,301	6,270
Initial costs, including infrastructure and start-up expenses	13,348	14,705
	35,291	36,011
Deferred overburden removal costs	—	1,825
	$35,291	$ 37,836

7. Coal Sales Contract Advances

McIntyre has entered into the following coal sales contract delivery commitments for yearly periods commencing April 1, 1977.

Buyer	Term of Contract	Annual Tonnage	Coal Sales Contract Advances
Japanese Buyers	1 year	1,500,000 long tons	$6,696,000
Steel Company of Canada Limited	1 year	25,000 short tons	—
Dominion Foundries and Steel, Limited	1 year	50,000 short tons	—
			$6,696,000

The minesite contract price of the coal is established annually on April 1st at the equivalent to the U.S. producer price and is subject to further adjustment for subsequent changes in McIntyre's coal production and delivery costs. The coal sales contract advances from the Japanese Buyers are being repaid over the term of the contracts as coal deliveries are made.

8. Interest

Interest capitalized during the year amounted to $921,000 (1975 — $765,000).

9. Income Taxes

The tax effect of earned depletion allowances in 1976 and 1975, and resource allowance in 1976 only, has reduced the charge for deferred income taxes during the year by $3,786,000 (1975 — $1,429,000).

A year end review by the Company's independent auditors of the calculation of deferred income taxes has indicated that the charge for 1975 and the offsetting extraordinary item did not properly reflect the reduction of $1,429,000 because of earned depletion in that year. Accordingly, the amounts have been restated to reflect this change, which increased earnings before extraordinary item for 1975 by this amount, but did not change consolidated earnings for the year.

At December 31, 1976 the Company had accumulated earned depletion allowances amounting to approximately $14,390,000 which are available to reduce future income tax charges.

10. Earnings Per Share and Dividends Paid

In calculating earnings per share and dividends paid the total issued shares have been reduced by 65,477 shares being McIntyre's proportion of its own shares held by an affiliated company.

Exercise of the share options outstanding would not affect to any extent the earnings per share for the year ended December 31, 1976.

11. Unrecorded Asset

On December 31, 1976 the Company had incurred expenditures of $678,000 on certain crown leases that the Government of Alberta will cancel under its new Coal Development Policy, with compensation to be based on approved expenditures, adjusted to a current dollar basis, plus interest. At the present time the Government of Alberta is not in a position to determine the amount that is to be paid to the Company, but it is expected to be substantially in excess of the figure mentioned above. The amount when determined will be reflected in the accounts as an extraordinary credit in the statement of earnings.

12. **Commitments and Contingencies**

(i) The Company has guaranteed mortgages amounting to $9,832,000 at December 31, 1976 in respect of employee housing in Grande Cache.

(ii) A long term lease agreement for the supply of unit-train rail cars for the transportation of coal provides for minimum rental charges of $1,090,000 per year.

(iii) Certain open-pit mining equipment required for the operation of No. 9 Mine has been leased under a long-term agreement at an annual rental of $1,010,000. At December 31, 1976 the total rentals remaining to be paid over the term of this agreement amounted to $6,378,000.

(iv) The Company is obligated to pay approximately $500,000 for the balance of purchase of shares of a subsidiary company (78.8% owned) in the event the subsidiary secures a contract for the sale of coal from its property.

(v) At December 31, 1976 budgeted capital expenditures for plant and equipment additions and replacement and new mine development totalled $13,165,000.

(vi) In 1969 the Company contracted to supply coal to Canadian Utilities, Limited, to provide its requirements for fuel of contract specification at its thermal power generating plant at Smoky River, Alberta, for a period of 15 years commencing December 1972 at a price of approximately 32¢ per long ton. That contract is renewable at the option of the purchaser at a nominal price for a further 15 years.

Alberta Power Limited, the assignee of Canadian Utilities, in 1973 commenced an action against the Company in the Supreme Court of Alberta claiming damages in the amount of $804,000 for costs allegedly incurred by it in connection with the supply and use of coal supplied by the Company to December 31, 1973, and requesting certain declaratory and injunctive relief. The Company is defending the action. In the opinion of Counsel, the plaintiff will not be successful in obtaining judgment of the amount of damages claimed or in obtaining an injunction. No provision therefor has been made in the accounts.

The Company maintains that it is legally bound under the contract to supply only by-product coal from its metallurgical coal mining and processing operations. It believes, on the basis of its by-product coal production since its metallurgical coal mining operation at Smoky River commenced in 1971, that there will not be sufficient amounts of specification by-product coal available to fulfill the requirements of Alberta Power. The Company is presently delivering by-product coal to Alberta Power on a month to month basis, at cost, and the parties are jointly investigating the technical and economic feasibility of utilizing all of the by-product coal produced by the Company from its Smoky River operation as a step towards the long-term rationalization of the power plant's fuel requirements.

(vii) On June 1, 1974 Copton Excol Limited, a 78.8% subsidiary of McIntyre, entered into an agreement with Meadowlark Farms Inc., a wholly owned subsidiary of Amax Inc., to further explore and evaluate Copton's coal properties in the Smoky River Region of Alberta in order to determine the economic feasibility of developing the properties for production. Under the terms of the agreement Meadowlark was to acquire a 50% interest in Copton's coal properties if, among other things, it delivered to Copton prior to May 31, 1976 a complete and detailed economic feasibility study in respect of Copton's coal properties on the basis of which it had to be prepared to proceed with the development of the properties to production. If it failed to do so the agreement was terminated.

Prior to May 31, 1976 Meadowlark delivered to Copton a purported feasibility study and subsequently gave Copton written notice electing to proceed with the development, subject to the removal of certain obstacles, and claiming its interest in the properties. The study was reviewed by Copton with the assistance of independent engineering consultants. Based upon the opinions and information provided by these parties Counsel was of the opinion that the study submitted by Meadowlark did not qualify as a complete and detailed economic feasibility study within the terms of the agreement. Accordingly Copton's directors and shareholders at meetings held on June 8, 1976 determined that Meadowlark be advised that the agreement was terminated and on that date Copton so notified Meadowlark in writing.

Meadowlark subsequently asserted that the agreement remained in effect and indicated its intention to carry out further work on Copton's coal properties. Consequently on August 3, 1976 Copton commenced an action in the Supreme Court of Alberta seeking a declaration that the agreement was terminated and an injunction restraining Meadowlark from entering upon Copton's coal properties. Subsequently Meadowlark filed a defence and counterclaim seeking damages in the amount of $377,804,000 against Copton and McIntyre which it alleges among other things induced Copton to breach the agreement.

The claims made by Meadowlark are being denied by Copton which, in view of the opinion of Counsel referred to earlier, considers that Meadowlark will not be successful in obtaining judgment and no provision for damages claimed has therefore been made in the accounts. McIntyre management maintains that there is no justification in any event for any claims against McIntyre and those claims are also being denied.

(viii) Pension costs for the year, including past service costs, were $464,000 (1975 $324,000).

Total unfunded past service liability at December 31, 1976 was $668,000 of which $377,000 related to improvements in plan benefits made in 1975 and 1976. The liability is being amortized by annual payments of $94,000 to 1979 with decreasing amounts thereafter to 1990.

(ix) Anti-Inflation Program

The Company is subject to, and believes it has complied with, controls on prices, profits, compensation and dividends under the Federal Government's anti-inflation program. Under the present anti-inflation legislation dividends during the year ending December 31, 1977 may not exceed $1.08 per share.

13. Capital Stock

175,000 shares have been set aside under the Executive and Key Employees Stock Option Plan. Of these, 135,450 had been issued to December 31, 1976.

Options outstanding at December 31, 1976 were:

10,000 shares at $41.80 per share granted January 25, 1973 and expiring January 24, 1983.

14. Remuneration of Directors and Senior Officers

Aggregate remuneration paid to directors and senior officers was $446,000 which compares with the 1975 remuneration total of $420,000.

McINTYRE MINES LIMITED

FIVE YEAR SUMMARY

	1976	1975	1974	1973	1972
Production					
Raw coal (long tons)	3,162,460	2,588,309	2,358,357	2,086,667	2,432,376
Clean coal (long tons)	1,864,630	1,680,068	1,528,268	1,441,535	1,565,720
Copper (pounds) (a)	—	—	—	8,372,000	9,297,000
Gold (ounces) (a)	—	—	—	68,548	104,079
Earnings ($000's omitted)	$	$	$	$	$
Revenue — coal production	121,911	95,736	48,093	30,455	28,974
Less: coal royalty	2,602	206	171	161	178
	119,309	95,530	47,922	30,294	28,796
— metal production (a)	—	—	273	12,979	10,654
Dividends from affiliates	2,448	2,277	5,324	2,875	1,848
Interest and other income	—	—	—	—	569
Exploration	1,690	1,980	1,242	881	1,204
Interest expense	3,525	3,778	5,631	4,716	3,899
Depreciation	5,873	4,493	3,462	3,729	3,551
Amortization of deferred development	3,281	2,993	1,030	1,219	1,352
Deferred income taxes	3,026	4,600	—	—	—
Earnings (Loss) from operations	10,815	14,217	5,873	(952)	(8,117)
Equity (reduction) in undistributed earnings of affiliates	2,608	(1,279)	6,676	16,806	114
Extraordinary credits (losses)	2,741	4,600	—	6,105	(22,056)
Consolidated earnings (loss)	16,164	17,538	12,549	21,959	(30,059)
Per share (b)	$6.82	$7.40	$5.30	$9.27	($12.74)
Dividends paid	—	1,184	—	—	—
Per share (b)	$1.00	$0.50	—	—	—
Financial Position ($000's omitted)					
Working capital (deficiency)	1,568	(3,656)	13,690	3,114	1,548
Investments	119,240	116,917	118,168	111,799	92,533
Properties and plant	87,611	78,960	71,048	60,587	67,763
Coal sales contract advances less current portion	1,266	7,229	12,416	—	—
Long-term debt	48,150	40,203	62,323	59,403	65,701
Shareholders' equity	164,672	150,877	134,523	121,974	99,597
Per share (b)	$69.51	$63.69	$56.79	$51.49	$42.22
Shareholders and Employees — December 31					
Total shares outstanding	2,434,482	2,434,482	2,434,482	2,434,482	2,424,482
Shareholders	2,720	2,819	3,039	3,049	3,042
Employees	950	850	724	491	1,424

(a) Schumacher Mine sold November 27, 1973.

(b) Per share figures calculated on the basis of total shares outstanding, less equity in own shares held by affiliate.

McINTYRE MINES LIMITED

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McINTYRE
MINES LIMITED

Printed in Canada.

AR23

INTERIM REPORT
TO
SHAREHOLDERS

For the Three Months Ended
March 31, 1976

Including the President's Address to the Shareholders

April 23, 1976

1-6

McINTYRE
MINES LIMITED

SUITE 5100, COMMERCE COURT WEST
TORONTO, ONTARIO M5L 1C1

To the Shareholders:

The sixty-fourth Annual and General Meeting of the Shareholders of the Company was held on April 23, 1976 in Toronto. Approximately 83% of the issued and outstanding shares were represented in person or by proxy.

Mr. R. B. Fulton, President of the Company, addressed the meeting as follows:

"McIntyre's earnings from its operations improved during 1975 to $18,817,000 or $7.94 per share, before provision for deferred income taxes in the amount of $6,029,000, from 1974's results of $5,873,000 or $2.48 per share. Consolidated income including the Company's equity in the undistributed earnings of its affiliated companies, Falconbridge Nickel Mines Limited and Madeleine Mines Ltd., however, was $17,538,000 or $7.40 per share reflecting the fact that neither of those company's earnings fully covered its dividend payments. Consolidated income for 1974 was $12,318,000 or $5.20 per share. Dividend payments were resumed during the latter six months of 1975 at a quarterly rate of 25¢ per share.

Last year's improved results were due essentially to higher coal prices and increased output from the Smoky River mines. The coal contracts which took effect on April 1, 1975 established parity between Smoky River coal and premium grade U.S. Pocahontas low volatile coking coals in quality, coking properties and price, and contracts covering 1976 deliveries maintain this parity. The coal tonnage to be delivered under these contracts totals approximately 1.7 million long tons compared with 1.83 million long tons which was under contract at this time last year. It is expected that additional sales will be made during 1976 as the result of negotiations now in progress with overseas steel companies.

Production of clean coal last year rose to 1,680,068 long tons from 1,528,268 in 1974. Raw coal mined totalled 2,588,309 long tons with two surface mines (No. 8 and No. 9) producing 1,808,451 long tons or 69.9% of the total. Four underground units (No. 2-4; 2A; 2-11 and Reiff Terrace) had a combined output of 779,858 long tons equal to 30.1%. Three coal seams (Nos. 4, 10 and 11) were mined and good uniformity of product meeting contract specifications was maintained

in shipments throughout the year. All contractual commitments were met in full, including the delivery of 1.5 million long tons to the Japanese Buyers prior to April 1, 1976.

Events in the metallurgical coal markets of the world during the past couple of years have focussed a good deal of attention on the current price and tonnage outlook of the suppliers and it seems appropriate to offer some observations on this because of McIntyre's involvement.

The very large price increases in all types or ranks of coking coals which occurred during 1974 and 1975 must now be reconciled with lagging steel production and reduced coal requirements which were manifested in the world's leading steel producing countries during the latter part of 1975 and which are continuing into 1976. Highly competitive markets have developed in the cases of high and medium volatile coals with attendant price and tonnage cuts. In the case of low volatile coals, the situation is somewhat different because of its limited availability. Nevertheless, there is plenty of evidence of growing resistance by steel companies everywhere to the mounting delivered cost of all ranks of coking coals.

Any prognosis of the durability of the newly established price structure of Western Canadian coals must of course take into account production costs at the various mines. In the case of Smoky River a strong minesite price is essential to cover the abnormal production costs which go with its remote location in the Rocky Mountain foothills. Qualified operators and mechanics, supervisors and technicians are scarce and they demand high rates of compensation and first-class housing. Mining conditions are another major cost factor. No. 9 Mine, our largest producing unit, has high waste to coal ratios necessitating the daily removal of over 100,000 tons of overburden to release its quota of 6,000 tons of raw coal from which approximately two-thirds is recovered as saleable clean coal.

Under these circumstances we view with increasing concern the rapidly escalating railway freight charges being imposed on our coal shipments to Vancouver and to steel mills on the Great Lakes. On April 1, 1975, the Vancouver rate was increased by over 50% and a similar increase is being sought for this year's coal shipments. Deliveries to Great Lake ports have become almost impossible because of prohibitive rates and the lack of adequate terminal facilities. Incredible as it may seem, both McIntyre and another Alberta coal producer will deliver coal this year to Hamilton, Ontario, via the Panama Canal. If the Country's goal of getting Western Canada's coals east to generate power and make steel is to be achieved, equitable and competitive freight rates must be forthcoming.

Turning to our other operation at Madeleine Mines in Gaspe, Quebec, a marginal profit of \$315,000 or 7¢ per share was made during 1975, compared to the 1974 result of \$2,502,000 or 53¢ per share. Low copper prices prevailed throughout last year, averaging 58¢ per pound, whereas during 1974 the price averaged 74¢ per pound. The ore tonnage milled in 1975, however, was a record 908,225 and stable production costs were maintained. Copper and silver production totalled 19,354,616 pounds and 179,034 ounces, respectively. Comparable figures for 1974 are 804,390 tons milled, 19,113,819 pounds of copper and 176,052 ounces of silver produced. Ore reserves were partially maintained in 1975 with the addition of 421,495 tons of new ore, and totalled 3,379,000 tons, grading 1.03% Cu, on the first of this year. These will provide about four years' ore supply at the current milling rate. Madeleine's earnings during 1976 can be expected to improve to a more satisfactory level with the strengthening outlook for copper prices.

McIntyre's exploration program for base and precious metal deposits expanded during 1975 and a somewhat wider scope of activity is planned for this year. Prospective areas in Alaska and Nevada will be investigated under joint venture agreements with other Canadian and U.S. mining companies and work programs will also be carried out in Manitoba, Ontario and Quebec.

Reporting on the results of the Company's operations during the first quarter of this year, earnings totalled \$1,048,000 or 43¢ per share. For the same quarter of 1975 earnings were \$327,000 or 13¢ per share. Coal production was 419,516 long tons compared with 299,043 long tons during the first three months of 1975. Coal production and production costs were adversely affected during January of

this year because of an excessively large minesite stockpile resulting from train service delays and interruptions, and also in February due to a week-long illegal strike by the hourly-paid employees at Smoky River. Results during the remainder of the year are expected to be similar to those of the same period last year."

At the meeting Special By-Law I, passed by the Board of Directors on January 29, 1976, authorizing the Company to make loans to bona fide employees to enable them to purchase or erect dwelling houses for their own occupancy was confirmed by the shareholders.

The following directors were elected:

M. A. Cooper	H. B. Keck
A. E. Feldmeyer	W. M. Keck, Jr.
R. B. Fulton	The Hon. E. C. Manning
H. M. Griffith	J. L. Norman
L. T. Postle	

At the organization meeting of directors which followed the meeting of shareholders, the following officers were appointed:

Chairman of the Board
M. A. Cooper

President and Chief Executive Officer
R. B. Fulton

Vice-President Operations
P. A. Cain

Corporate Secretary
F. T. McKinney

Treasurer
A. G. Goodeve

Comptroller and Assistant Treasurer
D. G. Page

At the same meeting the Board of Directors declared a dividend of 25¢ per share payable June 1, 1976 to Shareholders of record May 14, 1976.

R. B. Fulton
President

May 6, 1976

McINTYRE MINES LIMITED

CONSOLIDATED RESULTS

The Company's earnings from its operations during the first quarter of 1976 including provision for deferred income taxes in the amount of $565,000 were $1,048,000 or 43¢ per share. Consolidated income including the Company's equity in the earnings of its affiliated companies, Falconbridge Nickel Mines Limited and Madeleine Mines Ltd., was $136,000 or 6¢ per share. Falconbridge posted a loss of $791,000 for the quarter, whereas Madeleine had earnings of $275,000.

(Unaudited)
(000's omitted)

	Three months ended March 31 1976	1975
EARNINGS	$	$
Revenue — coal production	26,550	13,326
Dividends from affiliates	633	718
	27,183	14,044
Operating expenses	22,497	10,906
Exploration	151	269
Interest	889	1,066
Depreciation and amortization	2,033	1,476
	25,570	13,717
Earnings before taxes	1,613	327
Income taxes — deferred	565	—
Earnings from operations	1,048	327
Equity in undistributed earnings of affiliates	(912)	169
Consolidated earnings	136	496
Per share	$0.06	$0.21
SOURCE AND USE OF FUNDS		
Source of Funds:		
Operations —		
Earnings from operations	1,048	327
Depreciation and amortization	2,033	1,476
Deferred income taxes	565	—
	3,646	1,803
Use of Funds:		
Properties and plant	4,475	6,048
Coal advances repaid	1,621	—
Bank loan reduction (increase)	(1,172)	7,969
Dividends	608	—
Other	(154)	20
	5,378	14,037
Increase (decrease) in working capital	(1,732)	(12,234)
Working capital — beginning of period	(3,656)	13,690
Working capital — end of period	(5,388)	1,456

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Cancorp file

INTERIM REPORT TO SHAREHOLDERS

For the Six Months Ended
June 30, 1976

McINTYRE
MINES LIMITED

SUITE 5100, COMMERCE COURT WEST
TORONTO, ONTARIO M5L 1C1

To the Shareholders:

During the six months ended June 30, 1976 the Company's earnings were $4,199,000 or $1.72 per share after provision for deferred income taxes in the amount of $1,797,000. For the comparable period in 1975 earnings totalled $8,649,000 or $3.55 per share. Capital expenditures during the 1976 period totalled $8,193,000 and exploration costs were $458,000.

Consolidated income including the Company's equity in the undistributed earnings of its affiliated companies, Falconbridge Nickel Mines Limited and Madeleine Mines Ltd., was $4,108,000 or $1.73 per share for the first half of 1976 and $8,914,000 or $3.76 per share for the comparable 1975 period.

The market value of the investment portfolio at June 30, 1976 was $78,847,000 or $32.39 per share compared with $69,498,000 or $28.55 per share a year earlier.

On July 26, the Board of Directors declared a dividend of 25 cents per share payable September 1, 1976 to shareholders of record August 13, 1976.

OPERATIONS

Smoky River Coal Division

The Coal Division had an operating profit of $8,324,000 during the Second Quarter compared with $3,955,000 for the First Quarter, 1976, and $11,560,000 during the Second Quarter 1975. Raw coal production during the first half of 1976 totalled 1,595,857 long tons from which 918,694 long tons of clean coal were recovered, for an average yield of 61.1%. During the first six months of 1975 raw coal production was 1,167,251 long tons, and 775,874 long tons of clean coal were recovered, for a yield of 67.1%.

The lower earnings during the current year are attributable to increased production costs largely caused by higher waste to coal ratios at the No. 9

surface mine, and lower clean coal recovery. Unit production costs at Smoky River were lowered during the Second Quarter of 1976 from those of the previous two quarters through increased mine productivities and elimination of scheduled overtime work. Sub-standard clean coal recoveries were caused by high ash content coal from No. 2-11 underground mine. Rail freight costs increased substantially during the period by 8.4% on April 1, and 27.7% on May 1 and resulted in increases totalling $2.21 per ton in the f.o.b. port price of the coal. The rapidly rising coal transportation costs are seriously impeding the Company's efforts to expand its markets within and outside of Canada.

Madeleine Mines Ltd.

Net earnings for the six months to June 30, 1976 amounted to $685,000 or 14.5¢ per share compared with $84,000 or 1.8¢ per share earned in the similar period last year. Somewhat higher metal prices and stable operating costs accounted for the improved earnings.

Ore milled during the period totalled 447,452 tons with an average grade of 1.14% copper. Production amounted to 14,552 tons of concentrate containing 9,497,312 pounds of copper and 87,311 ounces of silver. In the similar period last year, ore milled totalled 458,582 tons with an average grade of 1.13% copper. Production was 14,700 tons of concentrate containing 9,616,310 pounds of copper and 88,202 ounces of silver.

Outstanding metal settlements for which no firm price has been established contain 6,265,264 pounds of copper. For current accounting purposes this copper has been priced at 68¢ per pound.

Falconbridge Nickel Mines Limited

Consolidated earnings of Falconbridge Nickel Mines Limited and its subsidiaries were $3,704,000 for the second quarter of 1976 and $2,913,000 for the six months ended June 30, 1976. Results for the comparable periods in 1975 were $1,758,000 and $4,229,000 respectively. Consolidated working capital at June 30, 1976 totalled $147,791,000 reflecting a decrease of $14,092,000 since the first of the year. Capital expenditures during the period aggregated $20,567,000 and reduction of long term debt was $20,758,000. Dividend payments to shareholders totalled $2,481,000.

R. B. Fulton

President.

August 6, 1976.

McINTYRE MINES LIMITED

AR23

CONSOLIDATED RESULTS

(Unaudited)
(000's omitted)

	Three months ended June 30 1976	1975	Six months ended June 30 1976	1975
	$	$	$	$
EARNINGS				
Revenue — coal production	32,391	25,865	58,941	39,191
Dividends from affiliates	633	462	1,266	1,180
	33,024	26,327	60,207	40,371
Operating expenses	25,121	14,664	47,618	25,570
Exploration	307	447	458	716
Interest	918	981	1,807	2,047
Depreciation and amortization	2,295	1,913	4,328	3,389
	28,641	18,005	54,211	31,722
Earnings before taxes	4,383	8,322	5,996	8,649
Income taxes — deferred	1,232	—	1,797	—
Earnings from operations	3,151	8,322	4,199	8,649
Equity in undistributed earnings of affiliates	821	374	(91)	265
Consolidated earnings	3,972	8,696	4,108	8,914
Per share	$ 1.67	$ 3.67	$ 1.73	$ 3.76
SOURCE OF FUNDS:				
Operations —	$	$	$	$
Earnings from operations	3,151	8,322	4,199	8,649
Depreciation and amortization	2,295	1,913	4,328	3,389
Deferred income taxes	1,232	—	1,797	—
	6,678	10,235	10,324	12,038
USE OF FUNDS:				
Properties and plant	2,807	2,861	7,282	8,909
Bank loan reduction (Increase)	(1,000)	3,994	(2,172)	11,963
Coal advances repaid	1,345	1,700	2,966	1,700
Dividends	609	—	1,217	—
Other	(89)	(172)	(243)	(152)
	3,672	8,383	9,050	22,420
Increase (Decrease) in working capital	3,006	1,852	1,274	(10,382)
Working capital — beginning of period	(5,388)	1,456	(3,656)	13,690
Working capital — end of period	(2,382)	3,308	(2,382)	3,308

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